

**DEPARTMENT OF LABOR AND TRAINING
DIVISION OF INJURED WORKERS' SERVICES
PERFORMANCE AUDIT
JUNE 2002**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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DEPARTMENT OF LABOR AND TRAINING
DIVISION OF INJURED WORKERS' SERVICES
PERFORMANCE AUDIT

EXECUTIVE SUMMARY

The Department of Labor and Training, Division of Injured Workers' Services has implemented or partially implemented 17 of 20 recommendations cited in our report issued August 17, 1998, and implemented the 7 recommendations cited in our Workers' Compensation Fraud Prevention Unit Report issued October 14, 1998.

The Division does not have updated policies and procedures that encompass all of its operations.

The Division is operating under a relatively inefficient computerization and automation environment. The repetitive functions and critical business functions of the Division are being executed in a relatively inefficient manner that may lend itself to unreliable information. The claims and patient processing system (The GSS System) is outdated and inefficient.

The Division does not perform reconciliations among the records of fees assessed, the revenue recorded at the Business Affairs section, and the records in the Controller's accounts. Reconciliations would ensure that those insurance carriers being assessed are paying the proper amount and that collections are being deposited and recorded in the proper State Controller's accounts.

The Education Unit is located at the Donley Center in Providence, whereas the Workers' Compensation Administration is located 12 miles away in Cranston. The Unit is experiencing constant strife in attempting to accomplish its mission because of its remote location. The Unit is hindered in communicating with supervisors and workers of other Units, consulting with the legal staff and Assistant Director, and in producing and copying educational literature.

Management should be more aggressive in the collection of penalties assessed for various violations by insurance companies and employers.

DEPARTMENT OF LABOR AND TRAINING
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June 14, 2002

Lee Arnold, Ph.D., Director
Department of Labor and Training
1511 Pontiac Avenue Bldg 70
Providence, RI 02920

Dear Dr. Arnold:

We have completed our performance audit of the Department of Labor and Training, Division of Injured Workers' Services. Our audit was conducted in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of the report. Management's response is included in this report.

In accordance with Section 35-7-4 of the Rhode Island General Laws, we will review the status of the Department of Labor and Training, Division of Injured Workers' Services corrective action plan within six months from the date of issue of this report.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC(SME):pp

DEPARTMENT OF LABOR AND TRAINING
DIVISION OF INJURED WORKERS' SERVICES
PERFORMANCE AUDIT

INTRODUCTION

Objectives, Scope, and Methodology

We conducted a performance audit of the Department of Labor and Training, Division of Injured Workers' Services for the fiscal year ended June 30, 2000 thru January 30, 2002. Our objectives were to determine if the Division of Injured Workers' Services complied with state laws and regulations and was providing injured workers services in an economical and efficient manner.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. In conducting our audit, we evaluated the practices and procedures used by the Division of Injured Workers Services in administering its operations. Our purpose was to identify practices and procedures that could be improved or made more efficient, and to identify any significant non-compliance with applicable state or federal laws. To achieve our objectives, we reviewed relevant policies and procedures, state laws and regulations, and applicable federal laws; interviewed responsible personnel; and performed tests of the records and such auditing procedures as we considered necessary in the circumstances.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond in writing within 60 days to all recommendations made in the report. Management's response to our audit findings and recommendations were submitted on May 24, 2002, and are included in our report.

Background

RIGL 42-16 defines the functions of the Department of Labor and Training, and RIGL Title 28, Chapters 29 through 38 relate to the provisions of Workers' Compensation and the John E. Donley Rehabilitation Center. The Division of Injured Workers' Services (the Division) is responsible for providing a Workers' Compensations system for Rhode Island employers and employees that is perceived by all to be fair to both the employer and employee. Workers' Compensations is a no-fault system that requires employers to maintain insurance coverage to protect their employees from loss of earnings and incurred medical expenses as a result of a work related injury or illness. Through 1998, employers with four or more employees were required to carry Workers' Compensation insurance. Starting in 1999, employers with one or more employees are required to carry Workers' Compensation insurance. The Division consists of three subprograms as follows:

Workers' Compensation Administration

The Workers' Compensation program is responsible for maintaining records and monitoring the administration of a Workers' Compensation system with the State; producing statistical reports and data to be used by the system; monitoring all claim filings to ensure proper payment by the insurance carrier; and to make payments to injured workers and reimbursements to insurance carriers in special circumstances under provisions of the law.

Additional responsibilities include providing educational services in the areas of Workers' Compensation benefits and filing procedures, guidance to employers and employees on their rights and responsibilities, providing employee loss prevention assistance, and the enforcement of all the filing and reporting requirements of insurance companies and employers.

It is also responsible for assessing and collecting fees from insurance carriers each year. These fees fund the operations of the Division (excluding the Self-Insurance operations), the Workers' Compensation Court, and the retired Court judges pension payments. Although the Division provides the funds for the Court, control and administration of the Court is under the jurisdiction of the State Supreme Court.

All self-insured employers within the state are assessed and must pay an additional fee into the Self-Insurance Fund. According to RIGL 38-36-1 these fees collected shall be used for the sole purpose of administering the duties of self-insurance operations.

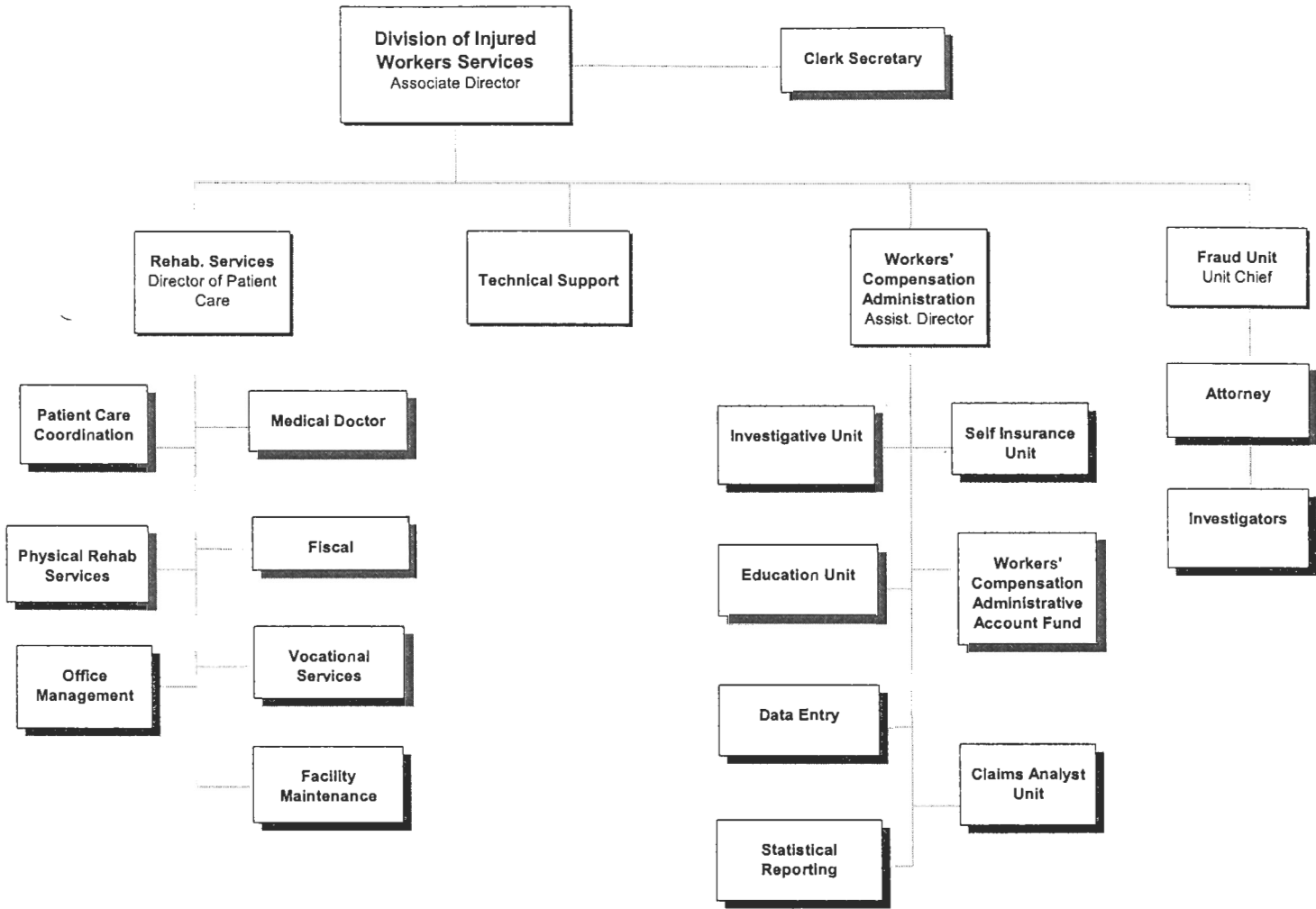
The Dr. John E. Donley Rehabilitation Center (the Center)

RIGL 28-38-18 establishes the Center. The Center provides broad-based rehabilitation services for individuals in the Workers' Compensation system. Services include evaluations, physical therapy, aquatic therapy, work hardening, site visits to the workplace, vocational services, psychological counseling, and case management. The Center is located in Providence and has a satellite location in Kingston, R.I.

Fraud Prevention

The Fraud Prevention Unit's mission is to detect, prevent, and to refer to criminal prosecution any suspected fraudulent activity related to Workers' Compensation. This Unit was previously under management of the Department of Administration. In July 1999 the Unit became part of the Department of Labor and Training's management. This reorganization resulted in the Unit's ability to expand its involvement in Worker's Compensation Fraud by becoming directly involved with enforcing compliance with insurance coverage and proof of coverage.

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STATUS OF PRIOR AUDIT RECOMMENDATIONS

Workers' Compensation Administration

Division of Injured Workers' Services Prior Audit Issue Date: August 17, 1998

Administrative Fund

1. The Department of Labor and Training and the Department of Administration need to reach an agreement that will ensure contributions are made to the administrative fund on behalf of the state employees in accordance with RIGL 28-31-8 and RIGL 28-37-13 (g).

Implemented.

2. Cash should be recorded at the time of collection in a manner that will allow for reconciliation with the state controller's statements. Monthly reconciliations should be performed.

Partially implemented. See current year recommendation 3.

Policies and Procedures Manual

3. Develop a comprehensive internal policies and procedures manual that covers every unit within the Workers' Compensation section. Reorganizing the rules and regulations already in existence and expanding several areas to include written step-by-step procedures can accomplish this.

Not implemented. See current year recommendation 2.

Monitoring Employers and Insurers for Compliance with Reporting Requirements

4. Implement a computerized system to record all insurance company filings.

Implemented.

5. Develop a policy on the assessment and collection of penalties for all insurance companies that fail to comply with RIGL 28-36-12.

Partially implemented. See current year recommendation 6.

6. Develop a policy on the waiver of penalties assessed in accordance with RIGL 28-36-15.

Partially implemented. See current year recommendation 8.

7. The Department should comply with the law pertaining to the Employers' First Report of Injury and develop a policy on the assessment and collection of penalties for employers who fail to comply with RIGL 28-32-1.

Partially implemented. See current year recommendation 6.

8. All Employers' First Report of Injury Claims should be assigned a claim number and recorded in the computer system to allow for adequate access and to maintain complete computerized information.

Implemented.

Data Collecting and Reporting

9. Ensure that the required (quarterly statistical) data is collected and reported in accordance with RIGL 28-37-31 or have legislation introduced to the General Assembly to modify the law.

Implemented.

Education Unit

10. The Director should develop management controls to direct and control (Education Unit) program operations.

Implemented.

Donley Center for Rehabilitation Services

Special Contract Employees

11. Enter into written contracts or agreements with special contract employees.

Implemented.

Imprest Cash Fund

12. The Donley Center should comply with Section A-15 of the Department of Administration's Handbook.

Not implemented. See current year recommendation 13.

Storeroom Controls

13. A perpetual inventory should be maintained and reconciled to an annual physical count.

Implemented.

Receipt Transmittals

14. Ensure that receipts are deposited within seven business days or request an exception from the General Treasurer.

Not implemented. See current year recommendation 14.

Compliance With Laws and Regulations

Records Management Program

15. Establish a records management policy in accordance with the state laws and regulations.

Implemented.

Accounts Receivable

16. Follow the procedures for accounts receivable described in Section A-16 of the State's Procedural Handbook for penalties and fines assessed.

Not implemented. See current year audit recommendation 9.

Equipment Inventory

17. Maintain equipment inventory records and take physical inventories to ensure compliance with Section E-11 of the State's Procedural Handbook.

Implemented.

Cost Allocations and Expenditure Controls

18. Make the appropriate adjustments to the automatic payroll allocations that are being made by the Office of Accounts and Control to reflect current practices.

Implemented.

19. Recover the \$763.65 made in overpayments to vendors.

Implemented.

20. Ensure that the Office of Information Processing submits an A-12T for \$2,000 for the mailing machine that was transferred out of the Division.

Implemented.

Fraud Prevention Unit

Prior Audit Issue Date: October 14, 1998

Organizational Structure

1. The Directors of the Department of Administration and the Department of Labor and Training should review the duties and mission of the unit and explore the feasibility of transferring the Workers' Compensation Fraud Prevention Unit from the Department of Administration to the Investigative Unit within the Department of Labor and Training.

Implemented.

Program Results

2. The Unit needs to reassess their operation and become more proactive in detecting fraud and abuse in Workers' Compensation.

Implemented.

Management Information Systems

3. The Unit should explore the feasibility of obtaining computer access to information of other state agencies.

Implemented.

4. The Unit should request the Office of Information Processing within the Department of Administration to perform a needs assessment study to determine how the users of the information can obtain meaningful reports for analysis purposes.

Implemented.

Vehicle Usage

5. Develop and implement a scheduling plan to prioritize vehicle usage.

Implemented.

Time and Effort Reporting

- ~ 6. Implement and monitor a time and effort reporting system.

Implemented.

Annual Report

7. The annual report should disclose the results of operations for a 12-month period excluding prior year activities.

Implemented.

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FINDINGS AND RECOMMENDATIONS

Division - Wide

Computerization and Automation: The Division of Injured Workers Services (Division) is operating under a relatively inefficient computerization and automation environment. The repetitive functions and critical business functions of the Division are being executed in a relatively inefficient manner that may lend itself to unreliability of information. The most critical issues appear to be:

- Severe lack of automated data sharing between applications and units within the Division. As a result, similar data must often be entered in multiple databases. All of the duplicate data entry that occurs lends to data integrity issues and severely hampers efficiency.
- The claims and patient processing system (The GSS System) is outdated and inefficient. As a result, the Division resorts to generating and storing documents with Microsoft Word and Excel software. The two methods do not communicate with each other.
- Inadequate technical infrastructure.

The Division had engaged an independent consultant with the necessary level of expertise to study the way information is managed and to recommend alternatives for managing it more efficiently and effectively. Many of the inefficiencies and inadequacies we discovered during our audit were consistent with the consultants report published in October 2000.

Recommendation

1. The Division should begin the processes necessary to acquire a new information system (software and hardware) that will solve the inefficiencies and inadequacies that currently exist.

Management's Response: Accepted

Policies and Procedures: Formal policies and procedures are an integral part of an organization's internal control. The effectiveness of management to ensure that program goals are designed to meet the provisions of the laws governing the Division is significantly reduced when policies and procedures are incomplete or inadequate. Clearly defined methods of fulfilling responsibilities within the organization allow for consistent operation and administration by staff and management. The Division does not have updated and complete policies and procedures encompassing all of its operations.

Recommendation

2. Develop policies and procedures that encompass all of the Division's respective operations.

Management's Response: Accepted

Workers' Compensation Administration

Revenue Reconciliation: There is no reconciliation being conducted between the assessment fees collected from insurance carriers to the revenue posted to the State Controller's records. The Administrative Account Fund Unit does the assessment and initial collection of the fees. Each day, the Unit generates a cash receipts register and a bank deposit slip and submits these items along with the checks received to the Business Affairs section of the Department. The assessment fees collected essentially fund the entire operations of the Division

The Administrative Account Fund Unit's records of fees assessed are maintained totally independent of the State Controller's and the revenue recording records at Business Affairs.

Periodic reconciliations among the records of fees assessed, the revenue recorded at the Business Affairs section, and the State Controller's records, would ensure that those insurance carriers being assessed are paying the proper amount and that collections are being deposited and recorded in the proper State Controller's accounts.

Recommendation

3. Reconciliations should be performed among the records of fees assessed, the revenue recorded at the Business Affairs section, and the Controller's records on a periodic basis.

Management's Response: Accepted

Education Unit Physical Location: The Education Unit is located at the Donley Center, whereas the rest of Workers' Compensation Administration is located 12 miles away in Cranston.

The nature of the duties that are being performed by the workers of the Education Unit require them to have ongoing and open communications with supervisors and workers of other units. The Education Unit needs to confer with both the Division's legal staff and the Assistant Director on a regular basis. And, other unit supervisors, employees, and staff regularly seek out the Education Unit's personnel for information. Very often, Education Unit workers and other Workers' Compensation staff are not able to exchange information due to the fact that almost all communicating has to be done by telephone. Often, workers are forced to travel to Cranston in order to engage in any significant conferencing.

The Education Unit performs the copying and distributing of many informational pamphlets and booklets to various parties. The larger and highly productive copying machines are located at Cranston. Workers must travel to Cranston in order to perform any substantial copying procedure.

It appears that the Education Unit is experiencing constant strife in attempting to accomplish its mission and that the Division is faced with excessive mileage reimbursement because the Education Unit is located separately from the rest of the administrative staff.

Recommendation

4. The Division should explore the feasibility of moving the Education Unit to the location of the Workers' Compensation Administration operations at Cranston.

Management's Response: Partially Accepted

Education Unit Staffing: This unit is comprised of one supervisor and four representative positions. One of the positions is vacant. The remaining three representatives are fully extended in trying to accomplish the mission of the Unit. Carrying out the duties of these positions requires a vast amount of knowledge and expertise. The Division has not been affording any potential new workers the necessity of training under these very experienced and skilled workers. It appears that the Unit will eventually experience a lack of qualified personnel to carry out the required duties.

Recommendation

5. Management should immediately afford a new worker the benefit of training for at least one vacated position in the Education Unit. Management should plan to train other new employees soon to fill the positions that may be vacated in the near future as others leave.

Management's Response: Accepted

Assessment, Collection, and Waiver of Penalties and Fines: RIGL 28-29-26 (a) states, in part, that the Director of the Department shall have supervision over the enforcement of the provision of Chapter 29-38 of Title 28 relating to Workers' Compensation. Workers' Compensation Administration is responsible for monitoring compliance with various reporting requirements of employers and insurers and, if necessary, the assessment and collection of penalties based on various sections of the laws.

The Workers' Compensation Administration has been assessing \$100 for non-compliance with those employers who are failing to file the First Report of Injury Form as required by RIGL 28-32-1; \$250 for non-compliance with RIGL 28-36-12 for those insurance companies that have failed to notify the Department of the issuance, cancellation, or failure of renewal of any policy; and a fine between \$500 and \$1,000 for each day that any employer who is required to secure workers' compensation coverage and knowingly fails to do so in accordance with RIGL 28-36-15.

Our review disclosed that outstanding assessments for the various types of non-compliance ranged from five months to over one year. It appears that although the sub-program has a policy for the assessment and collection of these penalties, there are no collection procedures in place. In addition, for all three types of penalties described, there are no procedures in place for the tabulation, aging, or periodic listing of these penalties as they are assessed, collected, or remain outstanding for the purpose of review by management. Management could utilize this type of organized information to better coordinate and plan for more effective assessment and collection procedures.

Recommendations

6. Management should be more aggressive in the collection of penalties/fines assessed against employers and insurance companies for non-compliance with the respective Rhode Island General Laws.

Management's Response: Accepted

7. Management should develop a system of listing and aging all of the assessments outstanding for all three types of penalties to gain better control over assessments and collections.

Management's Response: Accepted

The Director has the discretion to waive penalties assessed by the Department based on and in consideration of various factors surrounding each case. The sub-program does have a general policy on the waiver of the three types of penalties; however, the policy is general and not complete. The policy does not address who has authority to waive each of the types of penalties, nor describe the documentation that needs to be retained to record the waiver in each case. The policy also does not address any kind of record keeping requirements as to total penalties waived for each type.

During our review we discovered that there is no record of who authorized any of the penalties waived or any record of the circumstances supporting any waiver. We also discovered that management does not maintain any tabulation of total of penalties waived by type or in total.

Recommendation

8. Management should expand its penalty waiving policy to include who has authority to waive each of the types of penalties, to describe the documentation that needs to be retained to support the waiver in each case, and to address any kind of record keeping as to total penalties waived for each type.

Management's Response: Accepted

Section A-16 of the Department of Administration's Procedural Handbook requires that departments and agencies report their accounts receivable to the Office of Accounts and Control. It is the responsibility of the departments and agencies to keep detailed records of accounts receivable, reconcile their records with those maintained by the Office of Accounts and Control, and to follow at least the minimum collection procedures outlined in Section A-16 of the Procedural Handbook. We discovered that management is not reporting accounts receivable for penalties and fines to the Office of Accounts and Control in accordance with Section A-16.

Recommendation

9. Management should comply with the procedures for accounts receivable described in Section A-16 of the Procedural Handbook for penalties and fines assessed.

Management's Response: Accepted

Self-Insurance Reverted Surety Accounts

RIGL 28-36-1 (a) provides that every employer who has elected to secure compensation for which he or she may be liable under Workers' Compensation may either do so by insuring through an insurance company or by self-insuring. If the employer elects to self-insure, he or she must furnish security, indemnity, or a bond in kind which shall run to the Director. Should the self-insurer lose the financial ability to pay claims or be unable to pay claims, the Director shall call on the security, indemnity, or bond in kind and retain control of the funds. The funds may then be dispersed by the Director as needed to pay any claims to injured workers of the employer under the rules of Workers' Compensation.

The RIGL also provides that if the Director deposits the funds into a state account, that account shall be interest bearing and all interest accrued shall be only for the benefit of employees and dependents of the self-insured employer. Our review disclosed that interest has not been posted to these accounts since December 1999. Since the purpose of creating and maintaining these accounts is to ensure compensation for workers and their dependents under Workers' Compensation rules, interest postings should be updated allowing for more funds to be available for their intended purpose.

We also noted that the interest that was being calculated and posted to these accounts was not compounded. The interest postings to these accounts since their inception have been calculated by multiplying the original balance (less any funds dispersed, if any) by the appropriate monthly General Fund investment rate for that month. This formula has been consistently applied to one of the surety accounts for 24 months. Interest is not being added to the principal balance, not even on an annual basis. It is reasonable to expect an interest bearing account to compound interest on a monthly basis, or at least on a quarterly or annual basis.

Recommendations

10. Management should inquire with the Office of the General Treasurer as to what their reasoning is for not compounding interest in the forfeited surety accounts. Management should ask the Office of the General Treasurer for official literature which supports their position.

Management's Response: Accepted

11. Management should communicate with the Office of the General Treasurer in order to generate the adjustment necessary to update the posting of interest to the reverted surety accounts.

Management's Response: Accepted

Donley Center for Rehabilitation Services

Billings of Contracted Professionals: The Center contracts with many professionals to perform medical, psychological, physical therapy, industrial rehabilitation, occupational therapy, vocational therapy, and program coordination services on a continual basis at the Center. The contracted professionals perform these services on the injured workers who are admitted into the rehabilitative programming at the Center. The contracted professionals each have varying work schedules at the Center and are required to submit a weekly timesheet to their designated supervisor on a weekly basis. The timesheet indicates the hours of each day in which they performed their services on patients while at the Center.

The contracted professionals submit a monthly bill to the Center for services rendered to patients for that month. We tested controls surrounding the approval and payment process of these billings and discovered that the Center does perform the essential task of matching the hours billed by each contractor to the weekly timesheets submitted by the same contractor. However, in the items that we selected for testing we found a high occurrence rate of no evidence existing that would indicate that the hours that the independent contractors are registering on their timesheets as hours worked is being confirmed by anyone of authority within the Donley Center. The weekly timesheets were not signed or verified by anyone other than the contracted professional.

There appears to be a deficiency in management controls over the process of verifying or accounting for the hours that the various contracted professionals are billing to the Center. Without proper controls, the Center risks being billed for hourly work that was never in fact completed.

Recommendation

12. Management should implement controls to ensure that hours billed to the Center by the independent contractors are, in fact, work that was completed. Management should have someone in a supervisory position, who has a working knowledge of the schedules and routines of the contractor workers, verify the hours worked on a daily or weekly basis.

Management's Response: Accepted

Imprest Cash Fund: In accordance with Section A-15 of the Department of Administration's Procedural Handbook, any state department or agency may establish and maintain an imprest cash or petty cash fund for the purpose of purchasing small operating necessities which cannot be administered economically through customary procurement practices. Cash on hand plus vendor invoices must equal the established fund. Reimbursements should be processed at the end of each fiscal year in order for expenses to be recorded in the proper fiscal period.

The Center maintains an authorized imprest cash fund of \$200. We examined the fund in September 2001 and discovered that the most recent reimbursement was in December 2000. There were disbursements from the fund in each month of that timeframe. Therefore, there were expenses incurred and paid for in fiscal year 2001 that will be recorded in fiscal 2002.

Recommendation

13. The Center should comply with Section A-15 of the Department of Administration's Procedural Handbook.

Management's Response: Accepted

Receipt Transmittals: RIGL 11-28-1 states, "Every officer, or other person, receiving or having in his or her hands money belonging to the state, which money should be paid into the state treasury, shall pay the same to the General Treasurer within seven (7) business days after he or she shall receive such money; or at such other times as may be deemed necessary by the General Treasurer..."

We examined cash (checks) received by the Center. We noted that checks were being held beyond seven days and in some instances for as long as seven weeks. This appears to be a clear violation of the 7-business day rule for depositing funds.

Recommendation

14. Comply with RIGL 11-28-1 or request an exception to this rule from the General Treasurer.

Management's Response: Accepted

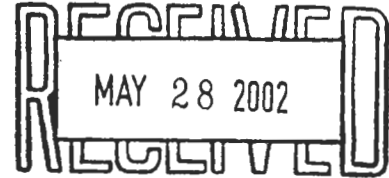


Rhode Island Department of Labor and Training

Center General Complex
1511 Pontiac Avenue
Cranston, RI 02920-4407

Dr. Lee H. Arnold
Director

BUREAU OF AUDITS



May 24, 2002

Mr. Stephen M. Cooper
Chief, Bureau of Audits
Department of Administration
Bureau of Audits
One Capitol Hill
Providence, Rhode Island 02908-54889

Dear Mr. Cooper:

We have reviewed the draft findings and recommendations resulting from the performance audit of the Division of Injured Workers' Services for the fiscal year ended June 30, 2000 through January 30, 2002.

Enclosed are our responses to the findings and recommendations contained in the audit. We appreciate having had the opportunity to comment on the draft report.

Your staff may contact either Jean Severance or Michael Hayes at 462-8165 if there are any questions regarding this submittal.

We thank your staff for the courteous and professional manner in which they conducted the audit.

Sincerely,

Dr. Lee H. Arnold
Director

Enclosure



Lincoln Almond
Governor

Telephone: (401) 462-8000

<http://www.dlt.state.ri.us>

Department of Labor and Training's Response to the draft Findings and Recommendations of the Performance Audit of the Division of Injured Workers' Services for the fiscal year ended June 30, 2000 through January 30, 2002

Recommendation #1

The Division should begin the processes necessary to acquire a new information system (software and hardware) that will solve the inefficiencies and inadequacies that currently exist.

Response: Accept.

The Division recognizes the inefficiencies and inadequacies that exist in its existing information system. An application assessment was completed by Ciber in October 2000 and subsequently a detailed business analysis was done. Currently an RFP has been developed and funding mechanisms are being discussed. It is our intention to begin implementation sometime during FY2003.

Recommendation # 2

Develop policies and procedures that encompass all of the Division's respective operations.

Response: Accept.

The Division is taking immediate steps to update and supplement the policy and procedure manuals in all units. This should be complete within six months.

Recommendation # 3

Reconciliations should be performed among the records of fees assessed, the revenue recorded at the Business Affairs section, and the Controller's records on a periodic basis.

Response: Accept.

This process began in December 2001.

Recommendation #4

The Division should explore the feasibility of moving the Education Unit to the location of the Workers' Compensation Administration operations at Cranston.

Response: Partially accepted.

Conceptually this recommendation is acceptable and in fact has been explored. However, unless space can be identified that will provide proximity to the W. C. Administration Unit it would not accomplish an outcome that is any different from the current arrangement. At present there is not space available at Center General that is in close proximity to the W.C. Administration Unit.

Recommendation #5

Management should immediately afford a new worker the benefit of training for the one vacated position in the Education Unit. Management should plan to train other new employees soon to fill the positions that may be vacated in the near future as others leave.

Response: Accept.

An Education Unit Representative position has been posted and a candidate selected. As soon as the paperwork is approved, the position will be filled. At this time, "adequate" staffing for the Education Unit has been determined as four Education Unit Representatives and one supervisor.

Recommendation #s 6, 7, and 8

Management should be more aggressive in the collection of penalties/fines assessed against employers and insurance companies for non-compliance with the respective Rhode Island General Laws.

Management should develop a system of listings and aging all of the assessments outstanding for all three-types of penalties to gain better control over assessments and collections.

Management should expand its penalty waiving policy to include who has authority to waive each of the types of penalties, to describe the documentation that needs to be retained to support the waiver in each case, and to address any kind of record keeping as to total penalties waived for each type.

Response: Accept.

Recently an organizational change was made to incorporate the Compliance Unit with the Fraud Unit. Policies are now being drafted in relation to penalties/fines and waivers. All of the audit findings will be considered in the development of the policies. These corrections should be in effect within six-months.

Recommendation #9

Management should comply with the procedures for accounts receivable described in Section A-16 of the Procedural Handbook for penalties and fines assessed.

Response: Accept.

The department will implement this recommendation within 30 days.

Recommendations #s 10 and 11

Management should inquire with the Office of the General Treasurer as to what their reasoning is for not compounding interest in the forfeited surety accounts. Management should ask the Office of the General Treasurer for official literature which supports their position.

Management should communicate with the Office of the General Treasurer in order to generate the adjustment necessary to update the posting of interest to the reverted surety accounts.

Response: Accept.

- “ The Department has forwarded these findings and recommendations to the Office of the General Treasurer for their review. A meeting will be scheduled within 30 days to address each recommendation and implement the recommended adjustments, where appropriate.

Recommendation # 12

Management should implement controls to ensure that hours billed to the Donley Center by the independent contractors are, in fact, work that was completed. Management should have someone in a supervisory position, who has a working knowledge of the schedules and routines of the contracted workers, verify the hours worked on a daily or weekly basis.

Response: Accept.

This recommendation has been implemented. A procedure is now in place. Billings from independent contractors are verified by the Director of Patient care Services.

Recommendation #13

The Donley Center should comply with Section A-15 of the Department of Administration's procedural Handbook.

Response: Accept.

Reimbursements will be process at the end of each calendar quarter or more frequently as needed.

Recommendation #14

Comply with RIGL 11-28-1 or request an exception to this rule from the General Treasurer.

Response: Accept.

Effective immediately, all checks received will be deposited within seven business days.